



**Director of
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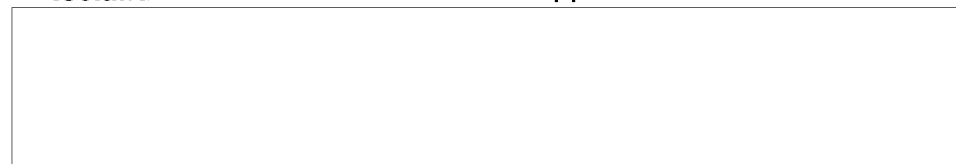
Contents

PLO: Arafat's Concessions 1**China: Decision To Join the IAEA** 2

25X1

Sudan: Status of Hostage Situation 4**USSR-Poland: Award for Jaruzelski** 4**Libya-Morocco: Results of Qadhafi's Visit** 5

25X1

Iceland: NATO Base Modernization Approved 6

25X1

Special Analysis

Chad: Habre's Poor Prospects 8

25X1

Top Secret

25X1

6 July 1983

Top Secret

25X1

PLO: Arafat's Concessions

PLO Chief Arafat's concessions to Fatah rebels have failed to satisfy their demand for a voice in Fatah decisionmaking. [redacted]

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One of Arafat's senior aides says the PLO leader has agreed to form a committee composed of his loyalists and rebel officers with a limited mandate to prepare for a Fatah general congress. Arafat also has offered to withdraw his forces from the Bekaa Valley to northern Lebanon and to renounce explicitly the US peace initiative. [redacted]

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In addition, Muhammad Salih—one of the rebel leaders—has said that, after two days of talks with a PLO mediation team in Damascus, Arafat has accepted the principle of collective leadership. Salih noted, however, that his side is still demanding the formation of a committee with rebel participation to run Fatah until the general congress meets. More talks reportedly are scheduled for today. [redacted]

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Comment: Arafat's concessions reflect the erosion of his authority since the rebellion began in May. The rebels, with Syrian support, are likely to continue to press their advantage by refusing to yield on their demand for a power-sharing arrangement. If Arafat refuses to compromise, the rebels can increase military pressure on his forces in the Bekaa Valley. [redacted]

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6 July 1983

Top Secret

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CHINA: Decision To Join the IAEA

Beijing's private disclosure to US officials of a decision to join the IAEA appears to be intended to improve China's prospects in the negotiations with the US on a nuclear cooperation agreement. [redacted]

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Senior officials in Beijing earlier this week said the government has decided to join the IAEA, but they did not indicate when the decision would be announced. They said the decision is in part an effort to "facilitate" negotiations with the US on a nuclear cooperation agreement that would enable China to import US reactor technology. The discussions are scheduled to resume next week in Washington. [redacted]

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Comment: Entry into the IAEA would reflect a substantial shift in policy for Beijing. It previously has condemned the organization as a creation of "superpower hegemonism." [redacted]

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The Chinese probably hope that a show of interest in IAEA membership will help overcome US concerns about their clandestine assistance to Pakistan's nuclear program. Beijing would be required to change its current indifferent attitude toward safeguards if it actually were to join the organization. [redacted]

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Failure by the Chinese to announce the decision before resuming the discussions in Washington would suggest that they are still trying to test the firmness of the US insistence on nuclear safeguards requirements. Beijing has been unwilling thus far to allow IAEA officials to inspect any of its nuclear facilities or to insist on such safeguards for its nuclear exports. [redacted]

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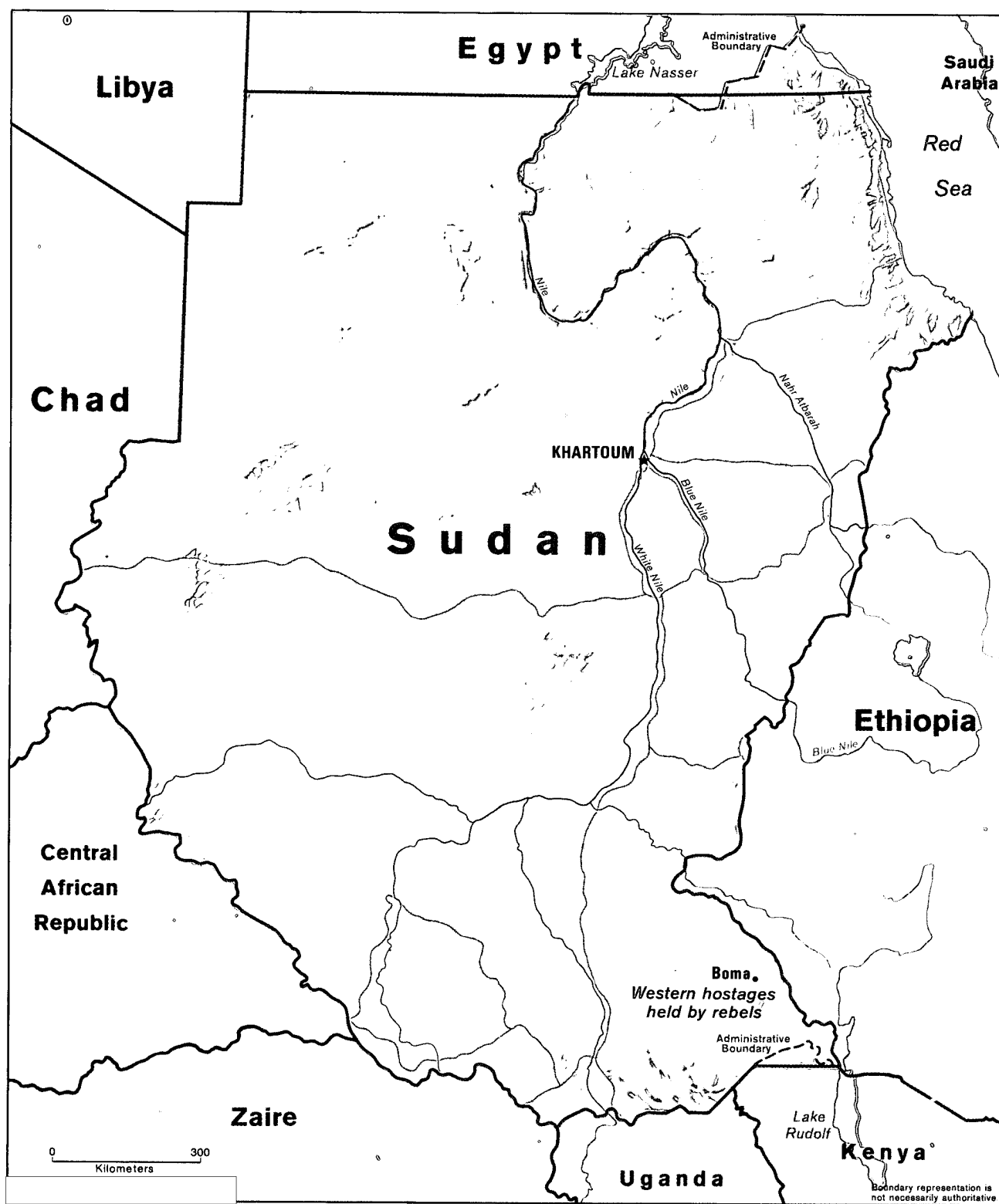
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6 July 1983

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Top Secret

6 July 1983

Top Secret

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SUDAN: Status of Hostage Situation

The US Embassy reports that the southern rebels at Boma who are holding five Western hostages, including two US citizens, have threatened to kill the captives today unless their demands for money, clothing, and medical supplies are met. The dissidents are insisting that the items be delivered directly to them by aircraft. The Embassy also reports that military leaders are making preparations for an assault as early as tomorrow on the rebel position. [REDACTED]

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Comment: It is not clear if the dissidents would carry out their threat to execute the hostages, and there is still a chance of further negotiations. The planned military assault may be delayed by logistic problems. Hasty action by government forces could create additional risks for the hostages. [REDACTED]

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USSR-POLAND: Award for Jaruzelski

Moscow indicated its approval yesterday of Premier Jaruzelski's policies when it conferred the Order of Lenin on him on his 60th birthday. The TASS statement announcing the award commented favorably on his leadership during a "difficult period for Poland" and praised his efforts to overcome the political and economic crisis. [REDACTED]

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Comment: Although such awards for East European leaders are routine, the Soviets could have deferred it if they had wanted to avoid such a show of support. Moscow also may have been concerned that withholding the award would have seemed to reflect disapproval of Jaruzelski and might have intensified political maneuvering in Warsaw. Jaruzelski and his colleagues will use the award to fend off criticism by party hardliners, who have looked to Moscow for support. [REDACTED]

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LIBYA-MOROCCO: Results of Qadhafi's Visit

Libyan leader Qadhafi's visit to Morocco ended on Sunday with a joint communique rejecting "hegemonism" and "zones of influence" in the region. The Moroccan Deputy Foreign Minister says there were some heated exchanges on developments in Chad. Qadhafi denied any involvement, and King Hassan was skeptical. [redacted]

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[redacted] the US Embassy in Rabat say the Moroccans requested Libyan financial assistance. [redacted]

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Comment: Although the atmosphere of the visit may have been strained at times, the addition of an extra day and the high level of attention given Qadhafi made it something of a success for him. Libya's isolation in Arab circles has been reduced—one of Qadhafi's priorities since the OAU Summit. The Libyans have not been generous in dispensing funds in recent years, but Qadhafi may be tempted to give money to Hassan to gain more leverage in regional affairs. [redacted]

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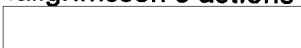
ICELAND: NATO Base Modernization Approved

Iceland's center-right government, which took office on 26 May, has authorized completion of modernization programs for NATO facilities long delayed by the previous government. Foreign Minister Hallgrimsson, whose Independence Party leads the government, approved all outstanding projects in a meeting last week with the US Ambassador—including improvements to logistic support facilities, modernization of radar systems, construction of additional hardened aircraft shelters, and strengthening of the US fighter squadron at Keflavik. The Foreign Minister also indicated his determination to move rapidly on the construction of a new air terminal at Keflavik.



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Comment: Hallgrimsson took quick action because of his strong desire to improve relations with Iceland's NATO Allies. The previous government had approved portions of these projects but was unable to give complete approval without endangering its coalition with the leftist, anti-NATO People's Alliance. The People's Alliance probably will use Hallgrimsson's actions to increase its anti-US and anti-NATO rhetoric.



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Special Analysis**CHAD: Habre's Poor Prospects***President Habre's military situation is precarious.*25X1
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The survival of Habre's regime now depends largely on French support. The French, however, are divided on the extent to which they should be involved.

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President Mitterrand has publicly pledged to honor his country's obligations under its military cooperation agreement of 1976 with N'Djamena. Foreign Minister Cheysson, on the other hand, opposes a direct confrontation with Libya.

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Paris is unlikely, however, to send in French troops unless Habre is on the brink of defeat or Libyan involvement becomes blatant.

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The Libyan Role

Without Libya's help, the dissidents' campaign probably would not have progressed as rapidly or as far as it has. Libyan advisers, who have helped organize attacks by dissident leader Goukouni's forces, have improved command and coordination of the fractious dissident groups.

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The military aid provided by Libya has given the dissidents a decisive advantage in firepower and mobility.

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Libyan leader Qadhafi has reacted to France's support of Habre by warning that such interference will "force" Tripoli to intervene. Unless the military balance in Chad is upset, however, Qadhafi probably will not follow through on his threat.

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Qadhafi is likely to believe that no country would be willing to provide massive aid to Habre and that he will not have to intervene directly. If the dissidents' offensive were to falter, however, he probably would commit some ground forces and perhaps combat aircraft to preserve their gains.

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The Libyan leader probably calculates that Paris will not allow French troops or combat aircraft to give direct support to Habre's troops. If they did, he would be likely to increase the Libyan military presence in the Aozou Strip but would avoid engaging French forces.

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Habre's Chances

French aid has strengthened morale in N'Djamena, and Habre's political support is holding. It could evaporate, however, if the tribal factions that still back him conclude he cannot withstand a dissident offensive.

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The weather may be a key factor. The rainy season will last until September, and it could bog down the dissident advance. The French expect that this will happen and that Habre—with their continued heavy backing—may be able to hang on.

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Although central and southern Chad are generally quiet, the Libyans will try to stir up unrest in these regions. Qadhafi also could try to scuttle the recent agreement between Habre and Nigerian President Shagari to reopen the common border of their countries next Monday to ease Chad's food and fuel problems.

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In addition, Tripoli may press the dissidents' cause at the UN and the OAU, claiming that the Habre regime is illegal. He also may try to enlist political support in black Africa for recognition of Goukouni as the "legitimate" leader of Chad.

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